

October 7, 1999

TO : Regional Directors
FFEL Program Section Staff

FROM : Acting Chief, FFEL Program Section
Division of Program Development
Analysis Service

SUBJECT : Federal Family Education Loan Program Special Allowance Rates for the
Quarter Ending September 30, 1999

The Treasury Department has informed me that the average of the bond equivalent rates of the ninety-one day Treasury bills auctioned during the quarter ending **September 30, 1999**, is **4.82** percent.

Attachment A contains the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter. **Attachments B & C** contain the quarterly special allowance rates computed pursuant to section 438 of the Higher Education Act of 1965, as amended (the Act).

[signed]
Patricia Newcombe

Attachments

AUCTION DATE	BOND EQUIVALENT RATE
07/06/99	4.720%
07/12/99	4.733%
07/19/99	4.650%
07/26/99	4.663%
08/02/99	4.831%
08/09/99	4.930%
08/16/99	4.815%
08/23/99	4.991%
08/30/99	5.017%
09/07/99	4.856%
09/13/99	4.794%
09/20/99	4.794%
09/27/99	4.856%
TOTAL	62.650%
AVERAGE = 4.82%	

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

Attachment B Includes: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, of obligations originally issued on/after 10/1/93, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

- I. -- Stafford (subsidized and unsubsidized), PLUS (fixed-rate; includes student-borrower component of the PLUS Program), and Consolidation loans:
made prior to 10/1/81.

Formula: (**4.82**) plus (3.5%) less (applicable interest rate), rounded up to the nearest 1/8th of 1% = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE*	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD*
7%	.01375	.003438
9%	.00	.000000

* The Special Allowance at Annual Rate and Special Allowance for 3-month Period figures are shown as decimals throughout this memo, e.g., 0.5% (one-half of one percent) is shown as .005", 1.5% (one and one-half percent) is shown as .015", etc.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

- II. -- Stafford (subsidized only) and PLUS (fixed-rate, includes student borrower component of the PLUS program) loans:
 made on/after 10/1/81, but prior to 10/17/86.
 made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning prior to 11/16/86.
-- Consolidation loans:
 made on/after 10/1/81, but prior to 11/16/86.
-- Also, certain taxable obligations of South Carolina and Maine.

Formula: (4.82%) plus (3.5%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7%	.0132	.003300
8%	.0032	.000800
9%	.00	.000000
12%	.00	.000000
14%	.00	.000000

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

- III. -- Stafford loans:
 (subsidized) made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning on/after 11/16/86.
 (subsidized) made on/after 11/16/86, but prior to 10/1/92.
 (unsubsidized, made pursuant to 428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on/after 10/1/92.
- PLUS/SLS loans:
 (fixed-rate) made on/after 10/17/86, but prior to 11/16/86, for periods of enrollment beginning on/after 11/16/86.
 (fixed-rate) made on/after 11/16/86, but prior to 7/1/87.
 (variable-rate) made on/after 7/1/87, but prior to 10/1/92, *only* if the variable-rate for each July 1 - June 30 period reaches the statutory maximum of 12%.
- Consolidation loans:
 made on/after 11/16/86, but prior to 10/1/92.
- Formula: (4.82%) plus (3.25%) less (applicable interest rate) = annual special allowance rate.**

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7% ¹	.0107	.002675
7.72% ²	.0035	.000875
7.87% ³	.002	.000500
8%	.0007	.000175
9%	.00	.000000
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

Also included for the period 7/1/99 - 6/30/2000 (Fixed-rate Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) or 427A(i)(1) of the Act and that have been converted to a variable rate):

- ¹ Fixed-rate 7% Stafford loans (1992 Amendments).
- ² (a) Fixed-rate 8% and 9% Stafford loans (b) 8/10% Stafford loans (on/after the 49th month of repayment) (1992 Amendments) and (c) 8/10% Stafford loans (prior to the 49th month of repayment) (1992 Amendments).
- ³ Fixed-rate 8/10% Stafford loans (on/after the 49th month of repayment) (1986 Amendments).

See 427A(i)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

- IV. -- Stafford loans:
 (subsidized) made on/after 10/1/92, but prior to 7/1/95.
 (unsubsidized) made on/after 10/1/92, but prior to 7/1/95, for periods of enrollment beginning on/after 10/1/92.
 (subsidized and unsubsidized) made on/after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
- PLUS/SLS loans:
 (variable-rate) made on/after 10/1/92 but prior to 7/1/94, *only* if the variable-rate for each July 1 - June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
- PLUS loans:
 (variable-rate) made on/after 7/1/94 but prior to 7/1/98.
 (variable-rate) made on/after 7/1/98 but prior to 7/1/03 (special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap).
- Consolidation loans:
 made on/after 10/1/92.

Formula: (4.82%) plus (3.1%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6% ⁴	.0192	.004800
7% ⁵	.0092	.002300

[continued...]

⁴ The 6% interest and special allowance rates *only* apply to Consolidation loans made on/after 7/1/94 with tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to Consolidation loans made with tax-exempt funds.

Also included for the period 7/1/99 - 6/30/2000 (Fixed-rate Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate):

⁵ Fixed-rate 7% Stafford loans (1992 Amendments).

See 427A(i)(7)(D) of the Act.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

IV. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7.72% ⁶	.002	.000500
7.98% ⁷	.00	.000000
8%	.00	.000000
9%	.00	.000000
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

For the period 7/1/99 - 6/30/2000:

⁶ (a) All Stafford loans made for periods of enrollment that either begin on/after 7/1/94 or include that date for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95 (b) Stafford loans for which the first disbursement is made on/after 7/1/95 and before 7/1/98, *except* during the in-school, grace & deferment periods (c) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/1/92 but prior to 7/1/94, and (d) fixed-rate 8% and 9% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate; see 427A(i)(7)(D) of the Act and (e) 8/10% Stafford loans (on/after the 49th month of repayment) and 8/10% Stafford loans (prior to the 49th month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate (1992 Amendments).

⁷ PLUS loans made on/after 7/1/94 but prior to 7/1/98.

Attachment B - REGULAR SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

- V. -- Stafford loans (subsidized and unsubsidized):
made on/after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods.

Formula: (4.82%) plus (2.5%) less (applicable interest rate) = annual special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7.12%	.002	.000500

- VI. --Stafford loans (subsidized and unsubsidized):
made on/after 7/1/98 but prior to 7/1/03 *only* during the in-school, grace, and deferment periods.

Formula: (4.82%) plus (2.2%) less (applicable interest rate) = special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6.32%	.007	.001750

- VII. --Stafford loans (subsidized and unsubsidized):
made on/after 7/1/98 but prior to 7/1/03, *except* during the in-school, grace, and deferment periods.

Formula: (4.82%) plus (2.8%) less (applicable interest rate) = special allowance rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6.92%	.007	.001750

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

Attachment C Includes: Loans made or purchased with (a) funds obtained by the holder from the issuance, or refinancing, or obligations originally issued prior to 10/1/93, or (b) funds derived from default reimbursements, collections, interest, or other income resulting from loans made or purchased with such tax-exempt funds.

- I. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/1/80, but prior to 10/1/81.

Formula: (**4.82%**) plus (3.5%) less (applicable interest rate), rounded up to the nearest 1/8th of 1%, divided by two = annual special allowance rate, *however* the annual special allowance rate is *not less than* 2.5% (for 7% loans) and 0.5% (for 9% loans).

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7%	.025	.00625
9%	.005	.00125

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

II. -- Tax-exempt loans, otherwise eligible for special allowance, made on/after 10/1/81.

Formula: (4.82%) plus (3.5%) less (applicable interest rate), divided by two = annual special allowance rate, *however* the annual special allowance rate is *not less than*:

For loans made prior to 10/1/92, 2.5% (for 7% loans), 1.5% (for 8% loans), and 0.5% (for 9% loans).

For loans made on/after 10/1/92, 9.5% less the applicable interest rate.

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
6% ⁸	.035	.008750
6.32% ⁹	.0318	.007950
6.92% ¹⁰	.0258	.006450
7% ¹¹	.025	.006250
7.12% ¹²	.0238	.005950

[continued...]

⁸ The 6% interest and special allowance rates *only* apply to Consolidation loans made on/after 7/1/94 with tax-exempt funds; the 10%, 11%, 13% and 14% interest and special allowance rates *only* apply to Consolidation loans made with tax-exempt funds.

⁹ **For the period 7/1/99 - 6/30/2000:** Stafford loans made on/after 7/1/98 but prior to 7/1/03, *only* during the in-school, grace, and deferment periods.

¹⁰ **For the period 7/1/99 - 6/30/2000:** Stafford loans made on/after 7/1/98 but prior to 7/1/03, *except* during the in-school, grace and deferment periods.

¹¹ **Also included for the period 7/1/99 - 6/30/2000:** Fixed-rate 7% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate, see 427A(i)(7)(D) of the Act.

¹² **For the period 7/1/99 - 6/30/2000:** Stafford loans for which the first disbursement is made on/after 7/1/95 and before 7/1/98, *only* during the in-school, grace, and deferment periods.

Attachment C - SPECIAL ALLOWANCE RATES (QUARTER ENDING 9/30/99)

II. [...continued]

APPLICABLE ANNUAL INTEREST RATE	SPECIAL ALLOWANCE AT ANNUAL RATE	SPECIAL ALLOWANCE FOR 3-MONTH PERIOD
7.72% ¹³	.0178	.004450
7.87% ¹⁴	.0163	.004075
7.98% ¹⁵	.0152	.003800
8%	.015	.003750
9%	.005	.001250
10%	.00	.000000
11%	.00	.000000
12%	.00	.000000
13%	.00	.000000
14%	.00	.000000

For the period 7/1/99 - 6/30/2000:

¹³ (a) All Stafford loans made for periods of enrollment that either begin on/after 7/1/94 or include that date for which the first disbursement is made on/after 7/1/94 but prior to 7/1/95 (b) Stafford loans for which the first disbursement is made on/after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace & deferment periods (c) Stafford loans, made to new borrowers, for which the first disbursement is made on/after 10/1/92 but prior to 7/1/94 (d) fixed-rate 8% and 9% Stafford loans and that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate; see 427A(i)(7)(D) of the Act and (e) 8/10% Stafford loans (on/after the 49th month of repayment) and 8/10% Stafford loans (prior to the 49th month of repayment) that were subject to the "windfall profits" provisions of 427A(i)(3) of the Act and that have been converted to a variable rate (1992 Amendments).

¹⁴ Fixed-rate 8/10% Stafford loans that were subject to the "windfall profits" provisions of 427A(i)(1) of the Act and that have been converted to a variable rate; see 427A(i)(7)(D) of the Act (1986 Amendments)

¹⁵ PLUS loans made on/after 7/1/94 but prior to 7/1/98.